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Boise, Idaho

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-17-01
OF AVISTA CORPORATION FOR THE)	CASE NO. AVU-G-17-01
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND)	DIRECT TESTIMONY
NATURAL GAS SERVICE TO ELECTRIC)	OF PATRICK D. EHRBAR
AND NATURAL GAS CUSTOMERS IN THE)	IN SUPPORT OF
STATE OF IDAHO)	STIPULATION

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

1 I. INTRODUCTION

2 **Q. Please state your name, employer and business**
3 **address.**

4 A. My name is Patrick D. Ehrbar and I am employed
5 as the Director of Rates for Avista Utilities ("Company"
6 or "Avista"), at 1411 East Mission Avenue, Spokane,
7 Washington.

8 **Q. Have you previously filed direct testimony in**
9 **this proceeding?**

10 A. Yes. My testimony in this proceeding covered
11 the spread of the proposed 2018 and 2019 electric and
12 natural gas revenue increases among the Company's
13 electric and natural gas general service schedules. My
14 testimony also described the changes to the rates within
15 the Company's electric and natural gas service schedules.

16 **Q. What is the scope of this testimony?**

17 A. The purpose of my testimony is to describe and
18 support the non-revenue requirement portions of the
19 Stipulation and Settlement ("Stipulation"), filed on
20 October 20, 2017 between the Staff of the Idaho Public
21 Utilities Commission ("Staff"), Clearwater Paper
22 Corporation ("Clearwater"), Idaho Forest Group, LLC
23 ("Idaho Forest"), the Community Action Partnership
24 Association of Idaho ("CAPAI"), and the Company. These

1 entities are collectively referred to as the "Settling
2 Parties."

3 In my testimony I will explain the following
4 Settlement components:

5 1. Rate Spread and Rate Design

6 2. Other Settlement Items

7 **Q. Are you sponsoring any exhibits?**

8 A. No, I am not. Company witness Ms. Andrews is
9 sponsoring Exhibit No. 17, which is a copy of the
10 Stipulation and Settlement filed on October 20, 2017,
11 with the Commission.

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II. RATE SPREAD & RATE DESIGN

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**Q. Please explain the settlement terms relating to
electric and natural gas cost of service.**

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A. In this case, the Company prepared an electric
cost of service analysis that incorporated, among other
things, a system load factor peak credit method of
classifying production costs, allocating 100% of
transmission costs to demand, and allocating transmission
costs on a twelve-month coincident peak allocation
factor. The Settling Parties do not agree on any
particular cost of service methodology. In recognition,
however, that certain rate schedules are generally above

1 their relative cost of service (or could be with modest
2 modifications to allocation methodology), the Settling
3 Parties agree that Schedules 25 and 25P should receive
4 75% of the overall percentage base rate changes for the
5 January 1, 2018 and January 1, 2019 increases. All other
6 schedules, except Schedule 1, should receive a pro-rata
7 allocation of the Company's original request. The
8 remaining revenue requirement should be spread to
9 Schedule 1.

10 For natural gas operations, the Company proposed
11 that all rate schedules be moved approximately one-third
12 towards unity. For settlement purposes, the Parties
13 agreed to use a pro-rata allocation of the Company's
14 natural gas rate spread percentages from its original
15 filing for purposes of spreading the revised revenue
16 requirement.

17 **Q. How did the Stipulation address rate design?**

18 A. For settlement purposes the Parties agreed to
19 the rate design changes proposed by the Company in My
20 direct testimony. For the electric Residential Basic
21 Charge (Schedule 1), the Parties agreed on an increase
22 from \$5.75 per month to \$6.00 per month, an increase of
23 \$0.25 per month. For the natural gas General Service
24 Basic Charge (Schedule 101), the Parties agreed on an

1 increase from \$5.25 per month to \$6.00 per month, an
2 increase of \$0.75 per month. Appendix F of the
3 Stipulation (Exhibit No. 17) provides a summary of the
4 current and proposed rates and charges for both electric
5 and natural gas service.

6 **Q. What is the effect on retail rates, by rate**
7 **schedule, of the proposed settlement?**

8 A. The following tables reflect the agreed-upon
9 percentage increases by schedule for electric service:¹

10

11 **Effective January 1, 2018**

<u>Rate Schedule</u>	<u>Increase in Base Rates</u>	<u>Increase in Billing Rates</u>
12 Residential Schedule 1	5.7%	5.9%
13 General Service Schedules 11/12	5.0%	5.2%
14 Large General Service Schedules 21/22	5.4%	5.7%
15 Extra Large General Service Schedule 25	3.9%	4.7%
16 Clearwater Paper Schedule 25P	3.9%	4.8%
17 Pumping Service Schedules 31/32	5.9%	6.1%
Street & Area Lights Schedules 41-48	<u>5.2%</u>	<u>5.1%</u>
Overall	<u>5.2%</u>	<u>5.6%</u>

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¹ The Settling Parties agreed with the proposal to offset the current Schedule 97 (Electric Earnings Test Deferral) rebate of \$2.7 million, which expires on December 31, 2017, with \$1.5 million related to the electric earnings test for calendar year 2015.

1 **Effective January 1, 2019**

2 <u>Rate Schedule</u>	<u>Increase in</u>	<u>Increase in</u>
	<u>Base Rates</u>	<u>Billing Rates</u>
3 Residential Schedule 1	1.9%	2.3%
4 General Service Schedules 11/12	1.7%	2.1%
5 Large General Service Schedules 21/22	1.8%	2.3%
6 Extra Large General Service Schedule 25	1.3%	2.2%
7 Clearwater Paper Schedule 25P	1.3%	2.2%
8 Pumping Service Schedules 31/32	2.0%	2.4%
9 Street & Area Lights Schedules 41-48	<u>1.8%</u>	<u>1.9%</u>
10 Overall	<u>1.8%</u>	<u>2.3%</u>

11 The following tables reflect the agreed-upon percentage
 12 increases by schedule for natural gas service:

13 **Effective January 1, 2018**

14 <u>Rate Schedule</u>	<u>Increase in</u>	<u>Increase in</u>
	<u>Base Rates</u>	<u>Billing Rates</u>
15 General Service Schedule 101	3.2%	2.2%
16 Large General Service Schedules 111/112	1.4%	0.7%
17 Interruptible Service Schedules 131/132	0.0%	0.0%
18 Transportation Service Schedule 146	3.0%	3.0%
19 Special Contracts Schedule 148	0.0%	0.0%
20 Overall	<u>2.9%</u>	<u>1.9%</u>

21 **Effective January 1, 2019**

22 <u>Rate Schedule</u>	<u>Increase in</u>	<u>Increase in</u>
	<u>Base Rates</u>	<u>Billing Rates</u>
23 General Service Schedule 101	3.0%	2.1%
24 Large General Service Schedules 111/112	1.3%	0.7%
25 Interruptible Service Schedules 131/132	0.0%	0.0%
26 Transportation Service Schedule 146	2.7%	2.7%
27 Special Contracts Schedule 148	0.0%	0.0%
28 Overall	<u>2.7%</u>	<u>1.8%</u>

1 **Q. What are the residential bill impacts if the**
2 **Commission approves the Settlement Stipulation?**

3 A. Effective January 1, 2018 an electric
4 residential customer using an average of 910 kilowatt
5 hours per month would see a \$5.22, or 5.9%, increase per
6 month for a revised monthly bill of \$93.34. Effective
7 January 1, 2019 an electric residential customer would
8 see a \$2.16, or 2.3%, increase per month for a revised
9 monthly bill of \$95.50.

10 Effective January 1, 2018 a natural gas residential
11 customer using an average of 63 therms per month would
12 see a \$1.13, or 2.1%, increase per month for a revised
13 monthly bill of \$53.74. Effective January 1, 2019 a
14 natural gas residential customer would see a \$1.09, or
15 2.0%, increase per month for a revised monthly bill of
16 \$54.83.

17 **III. OTHER ELEMENTS OF THE STIPULATION**

18 **Q. Please explain the settlement terms relating to**
19 **the Power Cost Adjustment (PCA) authorized level of**
20 **expenses.**

21 A. The new level of power supply revenues,
22 expenses, retail load and Load Change Adjustment Rate
23 resulting from the January 1, 2018 settlement revenue
24 requirement, for purposes of monthly PCA mechanism

1 calculations, are detailed in Appendix A of the
2 Stipulation (Exhibit No. 17).

3 **Q. Please explain the settlement terms relating to**
4 **the authorized base for the Electric and Natural Gas**
5 **Fixed Cost Adjustment Mechanism.**

6 A. The new level of baseline values for the
7 electric and natural gas fixed cost adjustment mechanism
8 resulting from the January 1, 2018 and January 1, 2019
9 settlement revenue requirement are detailed in the
10 Stipulation as follows (Exhibit No. 17):

- 11 • Appendix B - 2018 Electric FCA Base
- 12 • Appendix C - 2019 Electric FCA Base
- 13 • Appendix D - 2018 Natural Gas FCA Base
- 14 • Appendix E - 2019 Natural Gas FCA Base
- 15

16 **Q. Please explain the other issues agreed upon in**
17 **the Settlement Stipulation.**

18 A. The Parties agreed to meet and confer, prior to
19 the Company's next general rate case filing, regarding
20 the Company's electric cost of service study. The purpose
21 of the workshop will be to discuss the merits of
22 differing cost of service methodologies. Based on the
23 input from the workshop, the Company agrees to provide,
24 at a minimum, three cost of service studies reflective of
25 the differing methodologies in its next general rate
26 case. The Company will provide available information,

1 studies and data requested by any of the Settling Parties
2 so as to enable meaningful workshop participation and
3 discussion of issues. Unless it decides to do so, a Party
4 shall not be bound by workshop discussions and may
5 contest cost of service and rate spread issues in
6 subsequent proceedings.

7 Second, the Company and interested parties will
8 meet and confer to consider whether the Low Income
9 Weatherization Program and Energy Conservation
10 Education Program funding should be increased from the
11 current Commission-approved levels of \$700,000 and
12 \$50,000 respectively. Discussion topics will include
13 the need for additional funding, how additional funds
14 will be used, how much additional funding will be
15 necessary, and what impact the increase will have on
16 the energy efficiency tariff rider (Schedules 91 and
17 191) balance. If participants agree that a funding
18 increase is necessary, the Company agrees to make any
19 necessary filing(s) with the Commission on or before
20 December 31, 2017.

21 Third, the Company and interested parties will
22 meet and confer to review the Commission's Service
23 Rules for Gas Utilities (IDAPA 31.31.01) to determine
24 which provisions should be retained and/or modified,

1 and, if the participants agree, incorporate those
2 changes into the Company's tariff. Any changes
3 requiring Commission approval, e.g., tariff revisions,
4 will be submitted by the Company on or before July 1,
5 2018.

6 Fourth, the Company and interested parties will
7 meet and confer to review its meter placement and
8 protection policies and practices and determine, based
9 on the agreement of the parties, what additional steps
10 should be taken to revise the Company's current
11 policies and practices. Any necessary changes requiring
12 Commission approval, e.g., tariff revisions, will be
13 submitted by the Company on or before July 1, 2018.

14 Lastly, by way of background, Avista has
15 established Service Quality Performance, Customer
16 Guarantees and a Service Quality Measure Report Card
17 for its customers in Washington. The Company and
18 interested parties will work to develop similar
19 performance standards, customer guarantees and a
20 reporting mechanism for its Idaho customers. Following
21 those discussions, the Company will file its proposal
22 with the Commission requesting implementation on or
23 before July 1, 2018.

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1 **Q. Does this conclude your direct testimony?**

2 A. Yes, it does.